

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0405-03
Bill No.: Perfected HCS for HB 707
Subject: Taxation and Revenue - Property, Counties, Courts, Cities, Towns, and Villages
Type: Original
Date: May 3, 2011

Bill Summary: This proposal modifies provisions relating to land tax collection, with penalty provisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

In response to a prior version of the bill (0405-01), officials from the **Department of Revenue, State Tax Commission** and the **Office of State Courts Administrator** assumed that there is no fiscal impact from this proposal.

Officials from the **Office of the State Auditor** and the **State Public Defender's Office** assume that there is no fiscal impact from this proposal.

Officials from the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **City of Kansas City** state this legislation would have a positive fiscal impact on the City of Kansas City, Missouri, because the City would spend less on maintaining Land Trust properties. It could save the City around \$500,000 per year (mowing, boarding, demolishing).

Oversight assumes that this proposal could result in savings to the City of Kansas City if properties could be resold more quickly than under existing provisions. Oversight is not able to determine the number or value of properties which could be rehabilitated under this provision. Accordingly, Oversight will indicate savings to the City of Kansas City of \$0 (no properties qualify) to unknown (multiple properties qualify).

Officials from the **Department of Corrections** state the penalty provisions, the component of the bill to have potential fiscal impact for DOC, is for an unclassified felony with a between two and five year imprisonment in DOC. Currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in direct offender cost either through incarceration (FY10 average of \$16.397 per offender, per day, or an annual cost of \$5,985 per inmate) or through supervision provided by the Board of Probation and Parole (FY10 average of \$3.92 per offender, per day or an annual cost of \$1,431 per offender).

ASSUMPTION (continued)

In summary, supervision by the DOC through probation or incarceration would result in additional unknown costs to the department. Seventeen (17) persons would have to be incarcerated per each fiscal year to exceed \$100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than \$100,000 per year for the DOC.

Oversight assumes it is unknown how many persons may be convicted and incarcerated from this proposal; therefore, Oversight assumes cost associated with this proposal could be absorbed with current resources. If additional resources would be needed, the agency could submit requests through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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LOCAL GOVERNMENTS

Savings - City of Kansas City

Land bank agency for properties with delinquent taxes

\$0 to Unknown \$0 to Unknown \$0 to Unknown

**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENTS**

\$0 to Unknown **\$0 to Unknown** **\$0 to Unknown**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill allows the City of Kansas City to establish a land bank agency for the management, sale, transfer, and other disposition of tax delinquent lands and other lands in its possession in order to return it to effective use to provide housing, new industry, and jobs and to create new revenue for the city. The agency must be established by order or ordinance as provided by the city's charter and will only have authority over tax delinquent lands and other lands in its possession located within the city.

The agency is authorized to accept the grant of any interest in real property made to it or to accept gifts and grant-in-aid assistance. It is to exercise all powers that are conferred by Sections 141.210 - 141.982, RSMo, relating to the Land Tax Collection Law, and be deemed a public corporation acting in a governmental capacity.

Beneficiaries of the agency will be the taxing authority that held or owned tax bills against the respective parcel of real estate sold to the agency at a sheriff's foreclosure sale, and each taxing authority's respective interests in the parcel will be to the extent and in the proportion and according to the priorities determined by the court based on the principal amount of their respective tax bills bore to the total principal amount of all the tax bills described in the judgment.

The agency will be composed of three commissioners appointed by specified officials; and each commissioner must furnish a surety bond, if the bond is not already covered by a governmental surety bond, in an amount of up to \$25,000 to be paid out of city funds.\

The agency is authorized to sue and issue deeds in its name and operate as any other corporate body. It can convey title to any real estate it has sold or conveyed by general or special warranty deed. A deed must include the selling price and whether the selling price represents a value equal to or greater than two-thirds of the appraised value of the real estate. If the selling price is less than two-thirds of the appraised value, the commissioners must first procure the consent of at least two appointing authorities. Every effort must be made to sell a property at a price as close to its appraised value as soon as possible. Any property transferred at no cost to a public agency must be agreed to unanimously by the three commissioners; and if the property is sold or disposed of within 10 years by the public agency, the proceeds from the sale or disposal must be returned to the commissioners for distribution.

The agency must maintain a perpetual inventory of all acquired real estate and classify it as for private use, for use by a public agency, or not usable in its current condition. All land owned by the agency can be used as it sees fit including consolidating the land or grouping it for economy, utility, or convenience.

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FISCAL DESCRIPTION (continued)

The annual budget of the agency must be prepared by December 10 and delivered to the governing body of each county or city that appointed commissioners for its review and approval. The bill specifies the procedure if one of the governing bodies does not approve the proposed budget.

If at any time there are not enough funds available to pay the salaries and other expenses of the agency, sufficient funds will be advanced and paid to the agency upon its requisition from the governing bodies of which 50% will be paid by the county commissions and 50% from the cities that appointed commissioners. The amount cannot exceed 25% of the agency's annual budget unless agreed to and approved by the county commissions and the cities. These funds will be considered advances and subject to repayment from funds subsequently collected by the agency.

A commissioner or salaried agency employee is prohibited from receiving any compensation, emolument, or other profit from the disposition of any lands held by the agency other than the salaries, expenses, and emoluments provided by law. Anyone convicted of violating this provision will be guilty of a felony and upon conviction be sentenced to between two and five years in the state penitentiary.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

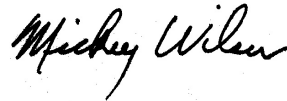
SOURCES OF INFORMATION

City of Kansas City
Department of Revenue
State Tax Commission
Office of State Courts Administrator
Department of Corrections
Office of Attorney General
Office of the State Auditor
State Public Defender's Office

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NOT RESPONDING

Office of Prosecution Services
Jackson County
St. Louis County
St. Charles County
Jefferson County
Clay County
Buchanan County

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 3, 2011

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